

New York State Comptroller
THOMAS P. DiNAPOLI

State Education Department

The Guild for Exceptional Children, Inc.
– Compliance With the Reimbursable Cost
Manual

October 2026 | Report 2025-S-35

Prepared by the Division of State Government Accountability

Audit Highlights

Objective

To determine whether the costs reported by The Guild for Exceptional Children, Inc. (GEC) on its Consolidated Fiscal Reports (CFRs) were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to the State Education Department's (SED) Reimbursable Cost Manual (RCM) and the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). The audit focused primarily on expenses claimed on GEC's CFR for the fiscal year ended June 30, 2021, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2020.

About the Program

GEC is a New York City-based not-for-profit organization authorized by SED to provide Special Class (over 2.5 hours per day) and Integrated Special Class (over 2.5 hours per day) education services to children with disabilities who are between the ages of 3 and 5 years. For the purposes of this report, these programs are referred to as the SED preschool cost-based programs. GEC operated other SED-approved preschool special education programs, including Evaluations and 1:1 Aides. However, payments for services under these programs are based on fixed fees, as opposed to the cost-based rates established through financial information reported on CFRs. GEC also operated other programs, such as New York State Office for People With Developmental Disabilities (OPWDD) residential services and day habilitation programs. During the fiscal year ended June 30, 2021, GEC served approximately 227 students in the SED preschool cost-based programs.

New York City Public Schools refers students to GEC based on clinical evaluations and pays for its services using rates established by SED. The rates are based on the financial information GEC reports to SED on its annual CFRs. For the 3 fiscal years ended June 30, 2021, GEC reported approximately \$17.2 million in reimbursable costs for the SED preschool cost-based programs.

Key Findings

For the 3 fiscal years ended June 30, 2021, we identified \$258,712 in reported costs that did not comply with the requirements in the RCM and the CFR Manual, as follows:

- \$120,404 in unsupported or insufficiently documented other than personal service costs.
- \$43,255 in overallocated/non-program-related compensation costs.
- \$35,077 in staffing expenses in excess of SED's approved staffing ratios.

- \$32,577 in ineligible/non-program-related other than personal service costs.
- \$27,399 in unsupported compensation costs.

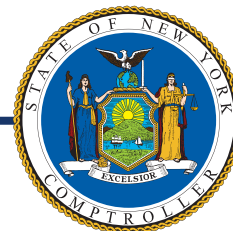
Key Recommendations

To SED:

- Review the recommended disallowances identified by our audit and make the necessary adjustments to the costs reported on GEC's CFRs and to GEC's tuition reimbursement rates, as warranted.
- Remind GEC officials of the pertinent SED requirements that relate to the deficiencies we identified.

To GEC:

- Ensure that costs reported on annual CFRs fully comply with SED's requirements and communicate with SED to obtain clarification, as needed.



**Office of the New York State Comptroller
Division of State Government Accountability**

October 2, 2026

Betty A. Rosa, Ed.D.
Commissioner
State Education Department
89 Washington Avenue
Albany, NY 12234

Joseph L. Riley
Executive Director
The Guild for Exceptional Children, Inc.
1273 57th Street
Brooklyn, NY 11219

Dear Dr. Rosa and Mr. Riley:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report, entitled *Compliance With the Reimbursable Cost Manual*, of our audit of the expenses submitted by The Guild for Exceptional Children, Inc. to the State Education Department for the purpose of establishing the preschool special education tuition reimbursement rates used to bill public funding sources that are supported by State aid payments. This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Section 4410-c of the State Education Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
SED	New York State Education Department	<i>Auditee</i>
CFR	Consolidated Fiscal Report	<i>Key Term</i>
CFR Manual	Consolidated Fiscal Reporting and Claiming Manual	<i>Policy</i>
GEC	The Guild for Exceptional Children, Inc.	<i>Service Provider</i>
NYCPS	New York City Public Schools	<i>Agency</i>
OPWDD	New York State Office for People With Developmental Disabilities	<i>Agency</i>
OTPS	Other than personal service	<i>Key Term</i>
RCM	Reimbursable Cost Manual	<i>Policy</i>

Background

The Guild for Exceptional Children, Inc. (GEC) is a New York City-based not-for-profit organization authorized by the State Education Department (SED) to provide Special Class (over 2.5 hours per day) and Integrated Special Class (over 2.5 hours per day) education services to children with disabilities who are between the ages of 3 and 5 years. For the purposes of this report, these programs are referred to as the SED preschool cost-based programs. During the fiscal year ended June 30, 2021, GEC served approximately 227 students in the SED preschool cost-based programs. GEC operated other SED-approved preschool special education programs, including Evaluations and 1:1 Aides. However, payments for services under these programs are based on fixed fees, as opposed to the cost-based rates established through financial information reported on the annual Consolidated Fiscal Reports (CFRs). GEC also operated other programs, such as New York State Office for People With Developmental Disabilities (OPWDD) residential services and day habilitation programs.

New York City Public Schools (NYCPS) refers students to GEC based on clinical evaluations and pays for GEC's services using rates established by SED. The rates are based on financial information that GEC reports to SED on its CFRs. To qualify for reimbursement, GEC's reported costs must comply with SED's Reimbursable Cost Manual (RCM) and the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual), which provide guidance to special education providers on the eligibility of reimbursable costs, the documentation necessary to support these costs, and cost allocation requirements for expenses relating to multiple programs and entities. SED reimburses NYCPS 59.5% of the statutory rate, which NYCPS pays to GEC.

For the 3 fiscal years ended June 30, 2021, GEC reported approximately \$17.2 million in reimbursable costs for the SED preschool cost-based programs. This audit focused primarily on expenses claimed on GEC's CFR for the fiscal year ended June 30, 2021, and certain expenses reported on its CFRs for the 2 fiscal years ended June 30, 2020.

Audit Findings and Recommendations

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. For the 3 fiscal years ended June 30, 2021, we identified \$258,712 in reported costs that did not comply with SED's requirements for reimbursement. These ineligible costs include \$105,731 in personal service costs and \$152,981 in other than personal service (OTPS) costs (see the Exhibit at the end of this report).

Strong internal controls are critical to the overall health of an organization. These controls help to safeguard assets and ensure reliable financial reporting and compliance with regulatory requirements. We attributed the disallowances detailed in this report to weaknesses in GEC's internal controls over its compliance with SED's requirements.

Personal Service Costs

Personal service costs, which include all salaries and fringe benefits paid or accrued to employees on the service provider's payroll, must be reported on the CFR as either direct care costs (e.g., teachers' salaries) or non-direct care costs (e.g., administrators' salaries). For the 3 fiscal years ended June 30, 2021, GEC reported approximately \$13.9 million in personal service costs for the SED preschool cost-based programs. To determine whether these expenses complied with SED's requirements for reimbursement, we judgmentally selected a sample of personal service expenses totaling \$2,344,404 charged to the SED preschool cost-based programs. We identified \$105,731 of these expenses that did not comply with SED's reimbursement requirements.

Overallocated/Non-Program-Related Compensation Costs

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. Costs must be charged directly to specific programs whenever possible.

According to the CFR Manual, all attempts should be made to directly charge an expense to the appropriate cost center. In addition, the CFR Manual states that providers with personnel who work in more than one program should allocate their salary to the proper cost center during the normal accounting cycle based on actual time and attendance records. If this does not occur, the service provider must complete a time study for each employee who works in more than one program.

For the 3 fiscal years ended June 30, 2021, we identified \$43,255 in costs that were not in compliance with the RCM and CFR Manual, as follows:

- \$25,464 (\$18,653 in salaries and \$6,811 in fringe benefits) in overallocated compensation costs for an employee who worked as a payroll specialist and medical biller. Documentation provided by GEC officials indicated this employee's medical biller

role pertained exclusively to OPWDD programs. However, GEC did not directly charge any of this employee's compensation to OPWDD programs. Instead, the OPWDD-specific portion of the employee's compensation was indirectly allocated to all GEC programs, resulting in a \$25,464 overallocation to the SED preschool cost-based programs.

- \$17,791 (\$12,941 in salaries and \$4,850 in fringe benefits) in compensation costs for the Chair of GEC's Incident Review Committee. We found no evidence that this employee worked for the SED preschool cost-based programs. Documentation provided by GEC officials indicated this employee worked exclusively for non-SED programs. Therefore, these costs should not have been charged to the SED cost-based programs.

We recommend that SED disallow \$43,255 (\$31,594 in salaries and \$11,661 in fringe benefits) for these non-program-related compensation costs.

Excess Student-to-Staff Ratio

SED program approval letters establish the direct care student-to-staff ratios under which preschool special education classrooms are to operate. According to the RCM, direct care personal service costs in excess of the approved ratios are not reimbursable.

For the 3 fiscal years ended June 30, 2021, we compared GEC's staffing levels reported on its CFRs to the SED-approved staffing ratios and found GEC exceeded the SED-approved staffing levels in all 3 fiscal years. These excess staffing levels resulted in \$35,077 of excess compensation as noted below:

- \$19,631 (\$15,508 in salaries and \$4,123 in fringe benefits) in excess staffing for Integrated Special Class special education teachers (position title code 218) for the fiscal year ended June 30, 2020. The SED-approved Integrated Special Class teacher staffing level for GEC was 1.83 full-time equivalents. However, GEC reported 3.61 full-time equivalents on its CFR.
- \$15,446 (\$11,992 in salaries and \$3,454 in fringe benefits) in excess staffing for Integrated Special Class teacher aides and teacher assistants (position title codes 228 and 232) for the fiscal year ended June 30, 2019. The SED-approved Integrated Special Class teacher aide/assistant staffing level for GEC was 2.00 full-time equivalents. However, GEC reported 2.41 full-time equivalents on its CFR.

Consequently, we recommend that SED disallow \$35,077 in excess compensation costs (\$27,500 in salaries and \$7,577 in fringe benefits).

Unsupported Compensation Costs

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. Costs will not be reimbursable on field audit without appropriate written documentation. For the 3 fiscal

years ended June 30, 2021, we identified \$20,651 in costs that were not in compliance with the RCM and CFR Manual, as follows:

- \$11,464 in salary expenses and \$2,577 in fringe benefit expenses that were not supported by GEC's general ledger for the fiscal year ended June 30, 2021. We also recommend that SED disallow \$3,464 in fringe benefits associated with these unsupported salary expenses.
- \$3,146 in fringe benefits that were not supported by GEC's general ledger for the fiscal year ended June 30, 2020.

In addition, we found \$6,748 in salary and fringe benefit expenses that GEC officials could not reconcile with the CFR for the 3 fiscal years ended June 30, 2021.

Therefore, we recommend that SED disallow \$27,399 (\$20,651+\$6,748) in unsupported compensation costs.

Other Than Personal Service Costs

For the 3 fiscal years ended June 30, 2021, GEC reported approximately \$3.3 million in OTPS costs for the SED preschool cost-based programs. To determine whether these expenses complied with SED's requirements for reimbursement, we judgmentally selected a sample of OTPS expenses totaling \$566,914 charged to the SED preschool cost-based programs. We identified \$152,981 of these expenses that did not comply with SED's reimbursement requirements.

Unsupported/Insufficiently Documented OTPS Expenses

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. Entities operating approved programs must retain all pertinent accounting, allocation, and enrollment/attendance records supporting reported data directly or indirectly related to the establishment of tuition rates for 7 years following the end of each reporting year. Further, all purchases must be supported with canceled checks and invoices listing the items purchased and the date of purchase, and all payments for consulting services must be supported by itemized invoices that indicate the specific services and/or deliverable actually provided and, for each service and/or deliverable, the date provided and the total amount charged. Costs will not be reimbursable on field audit without appropriate written documentation.

For the 3 fiscal years ended June 30, 2021, we identified \$120,404 in unsupported or insufficiently documented OTPS expenses, as detailed below.

- \$45,097 in expenses for which GEC officials could not provide any supporting documentation (e.g., invoice, canceled check/proof of payment). Officials indicated the expenses were for items such as utilities, repairs and maintenance, professional services, and food.
- \$41,723 in OTPS expenses that were not supported by GEC's general ledgers.

- \$11,568 in cell phone expenses. GEC officials provided invoices but could not provide documentation substantiating how the associated 149 cell phone lines were necessary and related to the SED preschool cost-based programs.
- \$4,066 in real property lease/rental expenses. GEC officials could not provide documentation substantiating how the expenses were necessary and related to the SED preschool cost-based programs.
- \$3,907 in depreciation expenses for building/land improvements and equipment. GEC officials could not provide documentation substantiating how depreciation was calculated and/or did not provide invoices supporting the original purchases.
- \$3,802 in other miscellaneous expenses for which GEC officials provided an invoice but not a canceled check/proof of payment.
- \$2,887 in interest expenses for which GEC officials could not provide a written loan agreement or other documentation to support the expenses were reasonable, necessary and related to the SED preschool cost-based programs.
- \$2,697 in advertising costs for which invoices did not specify what the advertising was for or whether it was related to the SED preschool cost-based programs.
- \$1,831 in repairs and maintenance, office supplies, contracted personnel, vehicle rental, utilities, and organizational expenses for which GEC officials could not provide either invoices or canceled checks/proof of payment.
- \$1,265 in professional organization membership dues. GEC officials did not document how the membership was related to the SED preschool cost-based programs.
- \$1,015 in staff transportation expenses for which GEC officials could not provide documentation indicating who was being transported or whether the transportation was related to the SED preschool cost-based programs.
- \$384 for a bank service fee for which GEC officials could not provide proof of payment.
- \$162 in costs for contracted direct care expenses. The hours for which these temporary teaching staff were paid exceeded the hours recorded on their time sheets.

Consequently, we recommend that SED disallow \$120,404 in unsupported/insufficiently documented costs.

Ineligible/Non-Program-Related OTPS Expenses

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. Certain costs, such as food for staff, fundraising activities, and expenses incurred to enhance income from investments, are not reimbursable. Further, gifts, personal expenses, and expenses incurred for the entertainment of officers or employees or for activities not related to the program,

or any related items, such as meals, lodging rentals, transportation, and gratuities, are not reimbursable. In addition, according to the CFR Manual, all attempts should be made to directly charge an expense to the appropriate cost center. For the 3 fiscal years ended June 30, 2021, we identified \$32,577 in ineligible/non-program-related OTPS expenses that were charged to the SED preschool cost-based programs, as follows:

- \$14,762 for food purchased for parties for staff and the Executive Director.
- \$8,021 in investment account fees.
- \$4,349 in gifts, including \$2,910 in raffle prize money for a GEC fundraising event, \$997 for gift cards, and \$442 for a staff plaque.
- \$3,671 in entertainment costs, including travel and lodging at Disney World for multiple employees who worked for GEC's OPWDD programs. This included \$1,662 for movie tickets, \$1,616 for a Disney World trip, and \$393 in party gratuities. GEC officials did not document how these expenses were related to the SED preschool cost-based programs. Officials disagreed with our characterization of the \$1,616 for a Disney World trip. While they acknowledged these costs were allocated to the wrong program, they indicated the costs were incurred to allow individuals residing in a GEC group home to participate in a supervised vacation to Disney World.
- \$953 in credit card charges described as fraudulent in GEC's general ledger. While the description also stated a credit would be issued for these charges, there was no such credit in GEC's general ledger.
- \$695 in unnecessary late fees/credit card finance charges.
- \$126 in non-program-related advertisement costs to hire a nurse for a GEC residential services program.

We recommend that SED disallow \$32,577 for the above costs that did not comply with SED's reimbursement requirements.

Recommendations

To SED:

1. Review the recommended disallowances identified by our audit and make the necessary adjustments to the costs reported on GEC's CFRs and to GEC's tuition reimbursement rates, as warranted.
2. Remind GEC officials of the pertinent SED requirements that relate to the deficiencies we identified.

To GEC:

3. Ensure that costs reported on annual CFRs fully comply with SED's requirements and communicate with SED to obtain clarification, as needed.

Audit Objective, Scope, and Methodology

The objective of our audit was to determine whether the costs reported by GEC on its CFRs were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to SED's RCM and the CFR Manual. The audit focused primarily on expenses claimed on GEC's CFR for the fiscal year ended June 30, 2021, and certain expenses claimed for the 2 fiscal years ended June 30, 2020.

To accomplish our objective, we reviewed the RCM, CFR Manual, Regulations of the Commissioner of Education, GEC's CFRs, and relevant financial and program records for the audited period. We also interviewed GEC officials and staff to obtain an understanding of GEC's financial and business practices. In addition, we evaluated the internal controls over the costs claimed on, and the schedules prepared in support of, the CFRs submitted to SED.

We used a non-statistical sampling approach to provide conclusions on our audit objective and tested internal controls and compliance. We selected a judgmental sample of reported costs to determine whether they were supported, program-related, and reimbursable. Specifically, we reviewed costs that were considered high risk and reimbursable in limited circumstances based on prior audit report findings. Our samples were based on the relative materiality of the various categories of costs reported and their associated levels of risk. However, because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations.

We obtained data from GEC's general ledgers and other financial systems and assessed the reliability of that data by interviewing officials knowledgeable about the system and by tracing to and from source data. We determined that the data from these systems was sufficiently reliable for the purposes of this report.

Statutory Requirements

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Section 4410-c of the Education Law.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. These duties may be considered management functions for the purposes of evaluating organizational independence under generally accepted government auditing standards. In our professional judgment, these duties do not affect our ability to conduct this independent performance audit of SED's oversight and administration of GEC's compliance with the RCM and CFR Manual.

Reporting Requirements

We provided a draft copy of this report to both SED and GEC officials for their review and formal comment. Their comments were considered in preparing this final report and are included at the end of it. In their response, SED officials agreed with our recommendations and indicated that they will take steps to address them. GEC officials accepted many of our conclusions but disagreed with certain proposed disallowances. Our responses to certain remarks are embedded in GEC's response as State Comptroller's Comments. Additionally, individually identifying information has been redacted from the response. GEC officials also included a set of attachments that are not included in this report but have been retained on file at the Office of the State Comptroller.

Within 180 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the State Education Department shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Exhibit

The Guild for Exceptional Children, Inc. – Summary of Reported and Disallowed Program Costs for the 3 Fiscal Years Ended June 30, 2021

Program Costs	Amount Reported on CFR	Amount Disallowed	Amount Remaining
Personal Services			
Direct Care	\$12,713,412	\$41,395	\$12,672,017
Agency Administration	\$1,151,209	\$64,336	\$1,086,873
Total Personal Services	\$13,864,621	\$105,731	\$13,758,890
Other Than Personal Services			
Direct Care	\$2,657,594	\$38,055	\$2,619,539
Agency Administration	\$656,927	\$114,926	\$542,001
Total Other Than Personal Services	\$3,314,521	\$152,981	\$3,161,540
Total Program Costs	\$17,179,142	\$258,712	\$16,920,430

Notes A–D, F, Q–S, and X–Z correspond with personal services.

Notes A–B, D–E, G–Q, T–Y, and AA correspond with other than personal services.

Notes to Exhibit

The following Notes refer to specific sections of the RCM and CFR Manual used to develop our recommended disallowances. We summarized the applicable sections to explain the basis for each disallowance. We provided the details supporting our recommended disallowances to SED and GEC officials during the course of our audit.

- A. RCM Introduction – Costs must have adequate substantiating documentation.
Designation of a cost as reimbursable during the initial rate-setting process or during the reconciliation process does not mean that the cost will be reimbursed through the final audit rate because all rates are subject to adjustment on field audit, in accordance with Section 200.18 of the Commissioner's Regulations and the RCM.
- B. RCM Section I.3.D – The entity will be required to retain all pertinent accounting, allocation, and enrollment/attendance records as well as information relating to the acquisition of fixed assets, equipment and/or building improvements, and any related financial arrangements for at least 7 years unless otherwise specified in the RCM and provide access to such records during an SED audit or audit by any other funding or regulatory entity.
- C. RCM Section I.6 – Staff-to-student ratios are defined in Part 200 of the Commissioner's Regulations. A specific approved program's student-to-staff ratio is also defined in that program's programmatic approval letter from SED's Office of Special Education. Direct care personnel in excess of, or not prescribed by, such ratios are not reimbursable, unless supported by the student's individualized education program (IEP) requirements and the program-generated summary data relating to those IEPs. An SED programmatic review and approval of variations from these ratios is required for costs of additional staff to be reimbursable.
- D. RCM Section II – Costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented.
- E. RCM Section II.3 – Advertising means the costs associated with publications and other public relations endeavors using the mediums of newspapers, Internet websites, magazines, radio and television programs, direct mail, trade papers, etc. Outreach activities, such as publications and other public relations endeavors that describe the services offered by approved private schools enabling them to better contribute to community educational objectives, are reimbursable. The intended outcome of these publications and public relations endeavors should be that of providing information and not for the purpose of recruiting students into programs or soliciting fundraising monies or donations. New York State places students without regard to advertising or public relations activities.

- F. RCM Section II.13.A.4.(e) – Direct care student-to-staff ratios shall not exceed the approved staffing levels supported by SED’s program approval letter. Any net excess of staff will not be included as part of reimbursable costs in the program’s reconciliation tuition rate. Such additional staff may be deemed reimbursable in the prospective rate upon amendment of the provider’s program approval letter and demonstration to the satisfaction of the Commissioner that such costs were necessary.
- G. RCM Section II.13.A.6 – Expenses of a personal nature, such as a residence or personal use of a car, known as perquisites (or perks), are not reimbursable.
- H. RCM Section II.17.A.2 – Costs of facility acquisition or construction shall be depreciated over the expected useful life of the facility as indicated in Appendix O – “Guidelines for Depreciation and Amortization” of the CFR Manual Appendices. Cost of facility acquisition or construction includes architect and inspection fees and should be included in the cost of the building for depreciation purposes. Renovations or alterations that are considered to be directly related to the education program and therefore reimbursable through depreciation charges over the estimated useful life of the renovation or alteration, as indicated in Appendix O of the CFR Manual Appendices, may include: replacement of roofs, boilers, plumbing systems, or similar repairs needed to protect the agency’s physical plant; installation of safety devices, such as fire exits, alarms, or smoke detectors in existing buildings; renovations necessary to comply with New York State standards of instruction; renovations to protect the health or safety of New York State students; and other capital expenditures for minor renovation work.
- I. RCM Section II.20.A – Costs incurred for entertainment of officers or employees, or for activities not related to the program, or any related items such as meals, lodging rentals, transportation, and gratuities, are not reimbursable.
- J. RCM Section II.20.B – All personal expenses, such as personal travel expenses, laundry charges, beverage charges, gift certificates to staff and vendors, flowers or parties for staff, holiday parties, repairs on a personal vehicle, rental expenses for personal apartments, are not reimbursable unless specified otherwise in the RCM.
- K. RCM Section II.22.C – Costs of food provided to any staff, including lunchroom monitors, are not reimbursable.
- L. RCM Section II.24 – Gifts of any kind are non-reimbursable.
- M. RCM Section II.29 – Costs of investment counsel and staff and similar expenses incurred solely to enhance income from investments are not reimbursable.
- N. RCM Section II.37 – Costs of the school’s membership in civic, business, technical, and professional organizations are reimbursable subject to the following restrictions:
 - a) The benefit from the membership is related to Article 81 and/or Article 89 programs.
 - b) The cost of membership is reasonably commensurate to the value of the services or benefits received.

- c) The expenditure is not for membership in an organization whose primary purpose is to influence legislation.
- O. RCM Section II.58.A – Costs incurred for telephone/cellphone service, local and long distance telephone calls, electronic facsimiles (fax), and internet services are reimbursable, provided that they are used primarily in furtherance of the operation of the special education program. In the case of cellphone data and text messaging charges, providers must demonstrate the business necessity for such additional cellphone features and that the cost of the plans is no greater than necessary to meet the provider's business needs. Any personal use of the devices must meet the de minimis fringe benefit standard as established by the IRS.
- P. RCM Section II.60.B – Out-of-state travel should be severely restricted and should be on an exception basis only. Out-of-state travel costs are reimbursable to the extent they are critical to the success of the program and are for services or training that cannot be obtained in state. Out-of-country travel is not reimbursable.
- Q. RCM Section III.1 – Section 200.9 (d) of the Commissioner's Regulations requires entities operating approved programs to retain all pertinent accounting, allocation, and enrollment/attendance records supporting reported data directly or indirectly related to the establishment of tuition rates for seven years following the end of each reporting year. Information related to the acquisition of fixed assets, equipment, land, or building improvements, and any related financing arrangements and grants, must be retained as long as the facility is used by any education program the provider operates if this period exceeds 7 years. Costs will not be reimbursable on field audit without appropriate written documentation.
- R. RCM Section III.1.A – Compensation costs must be based on approved, documented payrolls. Payroll expenses must be supported by employee time records prepared during, not after, the time period for which the employee was paid. Employee time sheets must be signed or electronically approved and dated by the employee and the employee's supervisor or personnel authorized to approve/date employee time sheets, and must be completed at least monthly.
- S. RCM Section III.1.B – Actual hours of service are the preferred statistical basis upon which to allocate salaries and fringe benefits for shared staff who work on multiple programs. Entities must maintain appropriate documentation reflecting the hours used in this allocation. Acceptable documentation may include payroll records or time studies.
- T. RCM Section III.1.C.2 – For consultants, adequate documentation includes, but is not limited to, the consultant's résumé, a written contract that includes the nature of the services to be provided, the charge per day, and service dates. In the case of legal and accounting services, all payments must be supported by itemized invoices that indicate the specific services and/or deliverables actually provided, and, for each service and/or deliverable, the date provided and the total amount charged. For all other consultant services, all payments must be supported by itemized invoices that indicate the specific

services and/or deliverables actually provided; and for each service and/or deliverable, the dates, number of hours provided, the fee per hour, and the total amount charged. In addition, when direct care services are provided, the documentation must indicate the names of students served, the actual dates of service, and the number of hours of service to each child on each date.

- U. RCM Section III.1.D – All purchases must be supported with canceled checks and invoices listing the items purchased, date of purchase, and date of payment. Costs must be charged directly to specific programs whenever possible. The particular programs must be identified on invoices or associated documents.
- V. RCM Section III.1.E – Travel logs must be kept by each employee indicating the dates of travel, destination, purpose, mileage, and related costs, such as tolls, parking, and gasoline.
- W. RCM Section III.1.H.2 – Working capital loans and lines of credit borrowings must be supported with written agreements, loan dates, and amounts of borrowings and repayments, applicable interest rates for each borrowing, and documentation (e.g., Board meeting minutes) supporting the necessity for the loan and the borrowed amount.
- X. RCM Section III.1.M.2 – Entities operating programs must use allocation methods that are fair and reasonable, as determined by the Commissioner's fiscal representatives. Such allocation methods, as well as the statistical basis used to calculate allocation percentages, must be documented and retained for each fiscal year for review upon audit for a minimum of 7 years. Allocation percentages should be reviewed on an annual basis and adjusted, as necessary.
- Y. CFR Manual Appendix I (Page 42.2) – Service providers should note that all attempts should be made to directly charge an expense to the appropriate cost center.
- Z. CFR Manual Appendix L (Page 45.1) – Providers with personnel who work in more than one program should allocate their salary to the proper cost center during the normal accounting cycle based on actual time and attendance records. If this does not occur, the service provider must complete a time study for each employee who works in more than one program. The time study must be contemporaneous with the costs to be allocated.
- AA. CFR Manual Appendix O (Page 48.1) – The service provider is required to maintain depreciation schedules that include the following minimum information: description of asset, date of acquisition, cost at acquisition, State/federal funding for items, salvage value, depreciation method, useful life used for depreciation purposes, annual depreciation amount, and accumulated depreciation.

SED Response



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

Ceylane Meyers-Ruff, Senior Deputy Commissioner
Education Building, Room 125 EB (518) 474-7542
89 Washington Avenue
Albany, NY 12234
Ceylane.Meyers-Ruff@nysed.gov

September 4, 2026

Kenrick Sifontes
Audit Director
Office of the State Comptroller
Division of State Government Accountability
59 Maiden Ln., 21st Floor
New York, NY 10038

Dear Mr. Sifontes:

The following is the New York State Education Department's (SED) response to the draft audit report, 2025-S-35, *The Guild for Exceptional Children, Inc. (GEC) - Compliance with the Reimbursable Cost Manual*.

Recommendation 1:

"Review the recommended disallowances identified by our audit and make the necessary adjustments to the costs reported on GEC's CFRs and to GEC's tuition reimbursement rates, as warranted."

We agree with this recommendation. SED will review the recommended disallowances as noted in the report and make adjustments to the reported costs to recover any overpayments, as appropriate, by recalculating tuition rates. NYSED will further review the staffing recommendations to determine if the adjustments are appropriate.

Recommendation 2:

"Remind GEC officials of the pertinent SED requirements that relate to the deficiencies we identified."

We agree with this recommendation. SED will continue to provide technical assistance whenever requested and will strongly recommend that GEC's officials avail themselves of our assistance to help them better understand the rules for cost reporting and criteria for cost reimbursement as presented in the CFR, Regulations, and the Reimbursable Cost Manual (RCM).

Furthermore, SED will alert GEC of the opportunity to participate in online CFR training that is available on SED's webpage. SED requires that all individuals signing the CFR certification statements, namely the Executive Director and Certified Public Accountant, complete this training. This training is a requirement for preschool special education providers upon approval and reapproval.

If you have any questions regarding this response, please contact Nell Brady, Director of the Rate Setting Unit, at (518) 474-1298.

Sincerely,

A handwritten signature in black ink, appearing to read "Ceylane Meyers-Ruff".

Ceylane Meyers-Ruff
Senior Deputy Commissioner

cc: Christina Coughlin
Christopher Suriano
Suzanne Bolling
James Kampf
Jeanne Day
Nell Brady
Jennifer Finucan
William Meissner
Rebecca Jones
Mary Moore

The Guild Response and State Comptroller's Comments



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September 21, 2026

Ms. Andrea C. Miller
Executive Deputy Comptroller
Office of the State Comptroller
Division of State Government Accountability
110 State Street
Albany, NY 12236

Dr. Betty A. Rosa
Commissioner
State Education Department
State Education Building
89 Washington Avenue
Albany, NY 12234

Dear Ms. Miller and Dr. Rosa,

The Guild for Exceptional Children ("GEC") has reviewed the draft audit report (2025-S-35) provided via email on August 26, 2026, and conducted by the Office of the State Comptroller ("OSC") for the period of July 1, 2018 through June 30, 2021.

The GEC was notified of the audit on September 17, 2025 and for the subsequent eleven months cooperated fully with the OSC audit team, providing access to personnel for interviews, financial records and a variety of documentation as requested.

The GEC appreciates the opportunity to respond to the findings of the OSC audit prior to the issuance of a final report.

Background

The GEC was established in 1958 by a group of parents, friends, and community leaders who sought to provide support for children with developmental disabilities at a time when public schools offered

limited services for such children. The founding initiative arose from families' frustrations with inadequate community-based options and aimed to provide quality education to all children, laying the foundation for life-long learning. The Carrie Mastronardi Early Childhood Education Center, the GEC's preschool, burgeoned from this initial aspiration to bring high-quality education to all children. For decades, the GEC's preschool has provided a welcoming, safe environment for children with and without disabilities, offering opportunities to build on their unique strengths while addressing their needs. The GEC's preschool utilizes inclusion and strengths-based practices to foster social, emotional, cognitive, and physical growth, which creates a strength-rich environment focusing on individualized learning, inclusion, and celebrating abilities.

One cannot fully understand the findings of this audit without considering the years under review and the circumstances in which the reported errors and inconsistencies occurred, namely the onset of the worldwide COVID-19 pandemic, the most tumultuous, inconsistent, perilous, and operationally disruptive period of the last century.

To assess the GEC's preschool operations solely as a matter of columns and rows on a spreadsheet, without acknowledging the life-changing impacts of COVID-19 and the instructional adjustments required to meet the educational needs of children with special needs, is to overlook a substantial portion of what shaped the educational landscape during fiscal years 2019-2020 and 2020-2021. According to the Office of the State Comptroller, the agency conducting this audit: "The COVID-19 pandemic has changed the face of education across the country and in New York City, the nation's largest public school system. During the pandemic, the City had to develop and implement novel remote learning protocols to continue educating students and was later among the first major city districts in the nation to offer a return to in-person schooling. The DOE, along with its teachers, students, and their families, was forced to contend with long-term school closures, adjustments to remote and hybrid learning models, and adaptations to new health and safety precautions and protocols. The impacts of the pandemic have placed unprecedented demands on the DOE's pedagogical and operational infrastructure and have required constant safety monitoring and response. The pandemic has also necessitated a widespread shift in the delivery of education, most notably in the form of remote learning. Learning losses resulting from multiple factors, including reduced attendance, fewer instructional hours, and technological limitations, have necessitated changes to student assessments and increased recognition of the difficulties in providing equitable learning opportunities for all students." (*NY Department of Education Response to the COVID-19 Pandemic*, September 2021, Report 8-2022, p. 1).

State Comptroller's Comment – We did not assess GEC's preschool operations as GEC suggests. Rather, the objective of our audit was to determine whether the costs reported by GEC on its CFRs were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to the requirements in the RCM and CFR Manual. Moreover, we did not conduct our audit "solely as a matter of columns and rows on a spreadsheet." To accomplish our objective, we reviewed the RCM, CFR Manual, Regulations of the Commissioner of Education, GEC's CFRs, and relevant financial and program records for the audited period. We also interviewed GEC officials and staff to obtain an understanding of GEC's financial and business practices. In addition, we evaluated the internal controls over the costs claimed on, and the schedules prepared in support of, the CFRs submitted to SED.

The GEC's preschool was not spared the impact and disruption of this unparalleled worldwide tragedy. As with all other New York City schools, the GEC's preschool doors closed on March 16, 2020 by order of the New York City School's Chancellor with the understanding that in-person learning would

resume on April 20th. Shortly thereafter, on March 21, 2020 the United States Department of Education issued a Fact Sheet Entitled “Addressing the Risk of COVID-19 in Preschool, Elementary and Secondary Schools While Serving Children with Disabilities.” In part this guidance stated, “The Department understands that, during this national emergency, schools may not be able to provide all services in the same manner they are typically provided” and it instructed for many disability-related modifications and services should be provided online. On March 27, 2020 the New York State Education Department (“NYSED”) released guidance stating that it “recognizes the exceptional and unprecedented challenges that students, their families, and school communities are facing right now. School districts across the State are working tirelessly to provide continuity and support to address the special needs of students with disabilities.” (“Provision of Services to Students with Disabilities During Statewide School Closures Due to Novel Coronavirus (COVID-19)”, [Special Education Guidance | New York State Education Department](#)). In response to the guidance from these multiple agencies, the GEC’s preschool quickly implemented remote learning and service delivery protocols and systems in accordance with regulatory expectations and timeframes to ensure that all students continued to receive their mandated and essential services. Then on April 11, 2020, New York City announced that schools would not reopen for in-person instruction for the remainder of the school year, thus the GEC continued remote instruction through mid-August to accommodate the 2-month summer program.

In September 2020, school openings in NYC were delayed as the system re-adjusted to blended learning; offering parents the choice to either keep their child’s learning fully remote or make it hybrid, a mix of both in-person and remote learning. The GEC’s preschool offered these options to families and reopened its doors on September 21st using a detailed comprehensive reopening plan designed to keep both students and staff safe and healthy. NYC imposed many caveats for reopening including one that required a school had to switch back to 100% remote learning based on community COVID-19 rates. By the second week of October, more than 100 DOE school buildings were closed for two weeks due to elevated rates. On November 19th, NYC announced that all school buildings would close in response to a surge in cases across the City and the GEC’s preschool followed the directive and remained closed until December when reopening was limited to elementary and Pre-K facilities. The GEC’s preschool operated under this method of hybrid teaching through the end of the school year and into its summer program. The fiscal year ended on June 30, 2021.

State Comptroller’s Comment – We note that neither SED nor New York City directed preschool providers not to comply with the requirements in the RCM and the CFR Manual, such as maintaining support for expenditures and allocations.

The record demonstrates that the fiscal years under review were marked by constant operational change, evolving governmental guidance, and extraordinary demands on educational providers serving vulnerable student populations. Against this backdrop, the GEC respectfully submits the following responses to the audit’s specific findings, addressing each issue in turn and providing the relevant context necessary for a fair and complete evaluation of the preschool’s operations during the period examined.

Overallocated/Non-Program-Related Compensation Costs

- **Finding:** \$61,490 (\$47,900 in salaries and \$14,400 in fringe benefits) in overcharged compensation costs for a teacher aide who worked for both OPWDD and the SED preschool cost-based programs.

- **Response:** The GEC contends that the \$61,490 in wages identified for this employee were correctly allocated to the OPWDD side of the agency, and were not overcharged to the preschool.

The finding was based on the OSC's tally of 2,037.7 hours worked by this employee on days when the preschool was not open during FY 2018-19, FY 2019-20, and FY 2020-21. The OSC audit team calculated this employee's pay rate for each year under audit by dividing her annual salary by the total number of hours worked, resulting in estimated hourly pay rates of \$21.10, \$21.71, and \$22.10 for the respective fiscal years.

However, averaging this employee's pay rate does not provide all of the information necessary to thoroughly and fairly address this issue. The employee was subject to different pay rates depending on the program in which she worked, receiving a higher rate for hours worked at the preschool and a lower rate for hours worked at the OPWDD group home. The OSC then calculated fringe benefits using its estimated average pay rates and fringe benefit rates of 31.14%, 30.53%, and 30.00% for the respective fiscal years.

The OSC's finding was based on these averaged wages; however, GEC asserts that these calculations are not representative of the employee's actual wages. Furthermore, GEC reiterates its response to the OSC's preliminary findings, namely that the employee's wages were properly assigned to the correct program locations when the CFRs were filed. The justification demonstrating that this employee's wages were not incorrectly attributed to the preschool is explained below.

On August 7, the OSC presented GEC with a preliminary report that questioned the wages of an employee who worked both at the preschool and in an OPWDD-certified group home. GEC contends that, in response to this finding, it provided sufficient and credible documentation establishing that the employee's full salary was not charged to the SED preschool cost-based program during the fiscal years under review. Rather, GEC maintains that the employee's salary was allocated between the preschool and the OPWDD-certified programs in proportion to the hours worked at each location.

GEC submitted evidence for OSC's review demonstrating that the employee's timecard was adjusted in real time during each pay period to recode any hours worked in the OPWDD-certified group home so that those hours were allocated to the appropriate program rather than to the SED preschool cost-based program. However, the OSC audit team rejected this explanation, stating that "there were no such adjustments to the GEC's general ledgers or the reconciliation documents provided."

GEC contends that this conclusion disregards material payroll records and fails to account for the operational relationship between the ADP payroll system and Sage 50, GEC's general ledger software during the audit period.

State Comptroller's Comment – We modified our report based on additional information provided by GEC officials.

- *The payroll system:* The GEC's payroll system and general ledger were linked to allow for automatic sharing of information.

During the three fiscal years under audit the GEC was contracted with ADP for timekeeping and payroll services. During their review, the OSC audit team examined invoices from ADP covering the services provided. A close review of the itemized invoice reveals that every pay period the GEC paid for additional services entitled “G/L Interface.” (Exhibit 1). For clarification, “G/L Interface” was the invoice code for ADP’s “General Ledger Interface”. ADP’s manual for General Ledger Interface from the time period under review stated, “General Ledger Interface (GLI) is an Internet product that resides on a safe and secure website. It converts ADP payroll data to a general (G/L) file for import into your accounting software. General Ledger Interface streamlines the process of creating payroll journal entries and updating your G/L file after each payroll run...The result is a G/L file ready to import into your accounting software to update your general ledger” (Exhibit 2). ADP further explains on their website that the “General Ledger Interface (GLI) is a tool that allows businesses to automatically convert payroll data from ADP into general ledger (G/L) entries compatible with their accounting software, such as QuickBooks, Sage50, or Sage Intacct. This eliminates the need for manual journal entries, reduces errors, and saves time for accounting teams.” (<https://apps.adp.com/en-US/apps/449092/adp-totalsourcegeneral-ledger-interface/overview>). During the period under review, the GEC’s general ledger software, Sage50, was directly integrated with ADP’s payroll system. Consequently, manual journal entries were neither required nor customary for payroll accounting. Subsequently, the general ledger information was utilized to complete the CFR for that fiscal year. The OSC’s reasoning for this disallowance appears to rely on the absence of manual adjustments in the general ledger or CFR, however, this reasoning fails to acknowledge that edits made within the ADP payroll system – including program code corrections – were automatically mapped to the appropriate general ledger account through the interface. Any required adjustments between the general ledger and the CFR would have occurred during the entry of the data, which is demonstrated in the adjustments made between the general ledger and what was entered into the CFR. Hence, the reasoning behind the earmarked disallowance is flawed, which, in turn, makes the recoupment request unreliable.

- The GEC further maintains that even if the proof of the coordinated general ledger interface between the ADP payroll system and the Sage50 general ledger is disregarded, there is ample additional proof showing that this employee’s hours worked and paid wages were correctly allocated between the preschool and the OPWDD program. If looking for a connection between the ADP payroll system and the CFR reporting, the correlation between the hours logged, differing pay rates, and timecard edits are an essential resource for a comprehensive understanding of this issue.

State Comptroller’s Comment – We modified our report based on additional information provided by GEC officials.

- *Timecard Edits*: Edits made to timecards during the pay period and memorialized in the previously provided “Edit Reports” is ample proof of proper allocation. The OSC Draft Report indicates that the audit team discounted the evidence demonstrating this employee’s timecard was consistently and routinely edited each pay period to reflect the correct allocation for hours between the preschool and the OPWDD certified program. For clarity purposes, the GEC will restate some previously provided salient facts to assist in understanding this issue for those not privy to OSC’s preliminary

findings during audit. This employee is the only worker to provide direct services at both the preschool and an OPWDD certified group home. In the ADP payroll system, this employee was assigned to the preschool as their primary work location (GL Code 50300, Department 25) as she was working the majority of her hours at that location each week and worked some additional hours at the OPWDD certified group home (GL Code 50210, Department 02). Although her primary work location was listed as the preschool, supervisors at the OPWDD certified group home recoded her timecard in the ADP system every pay period to reflect hours worked at their location. This was substantiated through the multiple ADP "Edit Reports" previously provided to the OSC. This report format, as will be further discussed later in this response, clearly identified every instance this employee's department code was revised to show that she worked within the OPWDD certified program and not the preschool, thereby eliminating those hours from being counted towards the SED preschool cost-based program. In its expansive review of every timecard related to this worker's employment from July 1, 2018 through June 30, 2021, the GEC identified only four exceptions – totaling 39.5 hours – where the recoding did not occur (two personal days, one sick day, and one workday). The GEC reported these anomalies to the OSC audit team in response to the OSC's August 7th preliminary findings report when it provided the multiple pages of correctly edited timecards. Aside from these anomalies, the GEC was able to prove that all of this employee's OPWDD hours were properly recoded and thereby excluded from the preschool program.

- **Limitations in Available ADP Records:** The full set of historical payroll records from ADP was inaccessible, which limited the scope and type of evidence that could be provided during the audit.

Another consideration that cannot be overlooked is that GEC no longer utilizes ADP for payroll services and, as such, was granted only limited access to payroll documentation following the termination of that business relationship. As a result, in 2023, ADP provided GEC with limited payroll records in three PDF report formats:

- **"Timecard Report with Notes"** (hereinafter, the "Timecard Report"), which shows the date worked, time in and time out for each day worked, the number of hours worked, the pay code (e.g., vacation, sick, personal, or holiday), and the "Worked Department" according to the employee's primary work location as originally assigned in the system.
- **"Payroll Detail Report with Dept"** (hereinafter, the "Payroll Report"), which provides the pay code, the "Worked Department," pay rates associated with each pay code, the number of hours worked at each pay rate, and the wages earned.
- **"Edit Audit Report"** (hereinafter, the "Edit Report"), which captures every alteration made to a timecard, including when punches were created or modified; the specific timecard attribute that was changed, including recoding of the "Worked Department"; the reason for the alteration; the original value and revised value; and the individual who made the edit.

In its response to the audit team's preliminary findings, GEC advised OSC that the

Timecard Report and Payroll Report lacked sufficient specificity regarding "Worked Department" information because those reports identified only an employee's assigned primary work department. Neither the Timecard Report nor the Payroll Report reflected the employee's actual work location for specific hours worked. In contrast, the Edit Report captured all real-time edits, including department recoding.

To demonstrate the proper allocation of this employee's work hours, GEC provided the OSC audit team with multiple Edit Reports corresponding to dates identified by the auditors as non-preschool workdays on which the employee logged hours. Entries showing modifications that changed the "Worked Department" from the preschool to the OPWDD group home were highlighted to demonstrate that appropriate recoding occurred during the pay period. As previously noted, with the exception of four dates, all hours worked at the OPWDD location were recoded to reflect that work site.

Despite this substantial evidence, OSC appears to have disregarded the Edit Reports and instead relied primarily on the Timecard Reports in reaching its determination. GEC believes that, in doing so, OSC failed to consider all available information necessary to properly evaluate this finding, thereby calling the validity of the finding into question.

State Comptroller's Comment – We considered and reviewed all information provided by GEC officials and made adjustments to our report, as appropriate.

To further demonstrate the limitations of the primary-department reporting contained within the Timecard Report and Payroll Report, GEC is providing representative timekeeping records from each fiscal year for an employee who worked in multiple locations (Exhibit 3). These records demonstrate that only the Edit Report accurately reflects Worked Department recoding, whereas the other two reports display only the employee's primary work location, regardless of any recoding that occurred.

Relying solely on the listed "Worked Department" in the Timecard Report and Payroll Report omits critical information and results in an incomplete assessment. Only by cross-referencing all three reports can an accurate representation of an employee's worked hours and departmental allocations be obtained. The representative records confirm that the Timecard Report and Payroll Report, standing alone, cannot reliably determine the actual department in which work was performed without reference to the Edit Report.

For the employee who worked in both the preschool and the OPWDD-certified group home, cross-referencing the three ADP timekeeping reports demonstrates that hours worked in the OPWDD-certified program were recoded to reflect the group home as the appropriate "Worked Department," while hours worked at the preschool remained coded to and allocated to the preschool program.

Based on the documentation provided, GEC maintains that the OSC's finding is based on an incomplete review of the available payroll records. The Edit Reports, which constitute the only ADP records capable of capturing department recoding, demonstrate that hours worked in the OPWDD-certified group home were consistently

reassigned to the appropriate program during the payroll process, with only limited exceptions previously identified by GEC. Because the Timecard Reports and Payroll Reports reflect only an employee's primary department assignment and do not capture these recoding adjustments, reliance on those reports alone does not provide an accurate representation of actual program allocations. When all available ADP records are reviewed collectively, the evidence demonstrates that this employee's wages were properly allocated between the preschool and OPWDD-certified programs and were not improperly charged in full to the preschool cost-based program. Accordingly, GEC respectfully requests that OSC reconsider this finding and revise its conclusions to reflect the complete payroll documentation and allocation methodology that was in place during the audit period.

State Comptroller's Comment – We considered and reviewed all information provided by GEC officials and made adjustments to our report, as appropriate.

- *Hours Worked:* The comparison of hours worked as recorded in the payroll system and the hours reported on the CFRs provides an additional method of determining whether any misallocation occurred. GEC believes that a closer review of Teacher's Assistant and Aide hours demonstrates that the dual-role employee's time and wages were properly apportioned between programs.

In support of this assertion, GEC is submitting its analysis of the hours worked by Teacher's Assistants and Aides during each fiscal year under review (Exhibit 4). Please note that the list of Teacher's Assistants and Aides was compiled from the preschool's classroom rosters to ensure accuracy (Exhibit 5).

Teacher's Assistant and Aide hours were analyzed collectively to ensure that all hours worked by employees serving in either position were captured. This combined analysis was necessary because some employees worked under both job titles due to changes in certification status during the three fiscal years under review, as well as staffing adjustments resulting from regulatory flexibilities implemented during the COVID-19 pandemic. These adjustments were made to ensure adequate staffing to support preschool students in remote, hybrid, and in-person learning environments. For each fiscal year under review, the total Teacher's Assistant and Aide hours reported in the ADP payroll system through the Timecard Report exceeded the number of hours reported for those positions on the CFR. The table below summarizes the total hours recorded in the Timecard Report, a recalculation that removes the subject employee's OPWDD hours, and the hours ultimately reported on the CFR.

	FY 2018-19	FY 2019-20	FY 2020-21
ADP "Timecard Report" Total Hours TA/Aides	59026	54393	51549
ADP "Timecard Report" cross-referenced with "Payroll Detail" to eliminate OPWDD hours for Subject Employee	58366	53344	50672
CFR Reported Hours TA/Aides	51264	50007	50610

Had the OPWDD hours not been excluded, the hours reported on the CFR, which are used by NYSED for rate-setting purposes, would have approximated the total hours captured by the ADP Timecard Report. However, this is not what occurred. In each fiscal year under review, the Teacher's Assistant and Aide hours reported on the CFR were substantially lower than the hours reflected in the ADP Timecard Report relied upon by the audit team in reaching its determination.

This discrepancy demonstrates that hours were removed from the preschool allocation before the CFRs were filed. If the subject employee's OPWDD hours had been improperly assigned to the preschool program, the CFR-reported hours would be expected to equal or exceed the corresponding payroll records. Instead, the CFR hours remained below the payroll-system totals in every fiscal year reviewed.

The lower number of Teacher's Assistant and Aide hours reported on the CFR therefore provides independent evidence that the subject employee's OPWDD hours were not included as preschool hours. As a result, those hours did not generate preschool compensation costs and could not have contributed to an overstatement of reimbursable preschool expenses.

The comparison between the ADP payroll records and the hours reported on the CFRs provides additional support for GEC's position that the subject employee's wages were properly allocated between the preschool and OPWDD-certified programs. In every fiscal year under review, the Teacher's Assistant and Aide hours reported on the CFR were lower than the hours reflected in the ADP payroll records, even after accounting for the subject employee's OPWDD hours. These results are inconsistent with the audit team's conclusion that the employee's OPWDD hours were charged to the preschool program.

When considered alongside the department recoding documented in the ADP Edit Reports, the CFR hour analysis demonstrates a consistent and reliable process for allocating employee time to the appropriate programs. Accordingly, the available payroll and reporting data support GEC's position that the subject employee's OPWDD hours and associated wages were not improperly reported as preschool costs and did not result in any overcharge to the preschool program.

- *Pay Rates:* GEC's operations require the use of different wage rates based on a variety of factors, including an employee's job title and job functions. Of particular relevance to this issue is the fact that the pay rate for a Teacher's Assistant/Aide is higher than the pay rate for a Direct Support Professional ("DSP"), the two positions held by the employee at issue. GEC contends that an analysis of the wages paid to this employee supports the conclusion that her hours worked were properly recoded and allocated.

The ADP Payroll Report corroborates the pay rates associated with hours worked based on an employee's job title and position. Because this employee worked under different job titles in different departments, she received more than one rate of pay, as reflected in the Payroll Report. Although the ADP Payroll Report is unsuitable for identifying the actual "Worked Department" for employees who work across multiple

program locations, it provides detailed information regarding the number of hours worked at each pay rate.

The Payroll Report consistently lists an employee's primary "Worked Department" while separately identifying multiple pay rates where applicable. To illustrate how all three ADP payroll reports must be used together to accurately document a shared employee's worked hours and wages, GEC presents information from July 2018 relating to the employee at issue (Exhibit 7).

Using the Timecard Report, the OSC audit team identified 38.75 hours worked on non-SED days, specifically 9.75 hours on July 7, 2018; 9.5 hours on July 14, 2018; 10.0 hours on July 21, 2018; and 9.5 hours on July 28, 2018. OSC contends that these hours were improperly attributed to the preschool rather than to OPWDD programming.

To support its position that these hours were properly allocated to OPWDD programming and not to the preschool, GEC maintains that all three ADP reports must be reviewed collectively. GEC agrees that the Timecard Report reflects 38.75 hours worked on days when the preschool was not operating. However, GEC strongly disputes the conclusion that those hours were improperly allocated to the preschool. The Edit Report for July 2018 demonstrates that each of the identified workdays was recoded from the preschool (GL Code 50300, Department 25) to the OPWDD-certified program (GL Code 50210, Department 02). GEC has highlighted each of these recoding transactions within the Edit Report.

Evidence that this recoding extended beyond the Edit Report and was implemented throughout the ADP payroll system is found in the Payroll Report. The Payroll Report reflects multiple pay rates for the employee during July 2018, including 34.25 regular hours and 4.5 overtime hours compensated at the lower DSP rate. The employee's remaining hours were compensated at the higher rate associated with her preschool position as a Teacher's Assistant/Aide.

The fact that these 38.75 hours were paid at the DSP rate associated with OPWDD services demonstrates that the ADP system recognized both the employee's differing job titles and the corresponding work locations, even though the Payroll Report and Timecard Report did not expressly display that distinction. When payroll was processed, the ADP system applied the lower DSP wage rate to the 38.75 disputed hours, thereby confirming that those hours had been allocated to the OPWDD-certified program rather than the preschool.

Accordingly, it follows that the ADP General Ledger Interface transmitted this differentiated payroll information into GEC's Sage 50 general ledger system. GEC further asserts that the timekeeping and payroll allocation procedures demonstrated in July 2018 were consistently applied throughout the entire audit period. GEC is prepared to provide the same level of supporting documentation and analysis for any other month under review upon OSC's request.

The wage-rate evidence provides independent verification that the employee's hours were properly allocated between the preschool and OPWDD-certified programs. The July 2018 records demonstrate that the disputed 38.75 hours were not only

recoded within the ADP timekeeping system, but were also compensated at the lower DSP wage rate associated with OPWDD services. Had those hours remained assigned to the preschool, they would have been compensated at the higher Teacher's Assistant/Aide rate.

When the Timecard Report, Edit Report, and Payroll Report are reviewed together, they establish a consistent chain of evidence showing that the employee's OPWDD hours were identified, recoded, compensated at the appropriate rate, and subsequently transmitted to the general ledger through ADP's payroll processing system. The payroll records therefore support GEC's position that the disputed hours and corresponding wages were properly assigned to the OPWDD-certified program and were not improperly charged to the preschool. Consequently, the wage-rate analysis further undermines the basis of the OSC finding and supports its reconsideration.

The totality of the evidence demonstrates that the \$61,490 in wages identified by OSC were properly allocated to GEC's OPWDD-certified programs and were not improperly charged to the preschool cost-based program. OSC's finding relies primarily on an analysis of hours worked on days when the preschool was not operating and an average wage-rate calculation that does not reflect the employee's actual compensation structure, work assignments, or payroll allocation methodology.

In contrast, GEC has provided multiple independent sources of evidence establishing that the employee's hours and wages were appropriately assigned. First, the ADP Edit Reports document that the employee's OPWDD hours were routinely and consistently recoded from the preschool department to the OPWDD-certified program throughout the audit period, with only four isolated exceptions totaling 39.5 hours that were previously disclosed to OSC. Second, the ADP General Ledger Interface automatically transmitted payroll allocations from ADP to Sage 50, eliminating the need for manual general ledger adjustments and undermining OSC's assertion that such adjustments should have been visible within the accounting records. Third, the comparison of payroll-system hours to CFR-reported hours confirms that OPWDD hours were excluded from preschool reporting before the CFRs were filed. Finally, the employee's payroll records demonstrate that the disputed hours were compensated at the lower DSP wage rate associated with OPWDD services rather than the higher Teacher's Assistant/Aide rate associated with preschool services, providing independent verification that the hours were assigned to the correct program.

Viewed collectively, the Edit Reports, Payroll Reports, timekeeping records, CFR reporting data, wage-rate analysis, and ADP-to-Sage 50 integration establish a consistent and verifiable chain of evidence demonstrating that the employee's OPWDD hours were identified, recoded, compensated, recorded, and reported in the appropriate program. OSC's conclusion appears to result from reliance on selected ADP reports that do not capture department recoding and therefore do not provide a complete picture of payroll allocations for employees working across multiple programs.

Accordingly, GEC respectfully maintains that the evidence does not support the disallowance of \$61,490 in wages and related fringe benefits. Rather, the documentary record demonstrates that the employee's wages were properly apportioned between the preschool and OPWDD-certified programs and that no overcharge to the preschool program occurred. For these reasons, GEC

respectfully requests that OSC withdraw or revise this finding to reflect the complete payroll, accounting, and reporting evidence presented in response to the audit.

State Comptroller's Comment – We modified our recommended disallowance based on additional information provided by GEC officials for this employee.

- **Finding:** OSC Finding: \$25,464 (\$18,653 in salaries and \$6,811 in fringe benefits) in overallocated compensation costs for an employee who worked as a payroll specialist and medical biller.
 - **Response:** The GEC concurs with the fundamental principle behind the OSC finding that a portion of this employee's job functions did not relate directly to the preschool and should not have been allocated to the SED cost-based program. However, the GEC contends that the OSC has miscalculated the amount of the overallocation, which should be substantially lower, for the following reasons:
 - The calculations used by the OSC to arrive its \$25,464 finding are not evident in the draft report and there is no indication as to which fiscal years this finding is attributable.
 - Therefore, in submitting this response the GEC will rely upon the Preliminary Audit Report issued by OSC on August 7, 2026 as it provided a breakdown of how this finding was calculated. The August 7th finding initially earmarked \$41,191 (\$29,943 in salaries and \$11,248 in fringe benefits) for the three fiscal years under audit (FY 2018-19, FY 2019-20, and FY 2020-21) for recoupment related to this employee.

It appears that a portion of the GEC's preliminary response was considered and accepted because the differential between the findings of the August 7th preliminary report and the August 26th draft report indicates a downward correction of \$15,727. While the GEC appreciates the OSC's reconsideration, according to the GEC's calculations, the reduction in the finding is insufficient when all the available information has been evaluated.

After issuance of the preliminary report, the GEC was given the opportunity to provide additional documentation to prove that these allocations had been properly made. In response, the GEC provided information from this employee's personnel file that indicated in FY 2018-19 this employee had a single duty, that of payroll specialist, performing functions for the entire agency, including the preschool. Additional information was provided to show that the additional job duties related to Medicaid billing did not begin until September 16, 2019, which is FY 2019-20, and that this employee split her work time equally between Payroll Specialist and Medicaid Biller functions. The GEC carefully reviewed the OSC's initial findings and submitted a response asking for an adjustment of the finding based on several contentions:

- First, that in FY 2018-2019 this employee worked exclusively as a Payroll Specialist and had no duties related to Medicaid billing; therefore, the SED administration portion of this employee's salary and fringe benefits had been correctly allocated in the CFR for that fiscal year according to the ratio value method. The GEC contended that earmarked amount of \$13,044 should be disregarded in its entirety.

State Comptroller's Comment – We modified the recommended disallowance for the draft report based on additional information that GEC officials provided in response to our preliminary findings.

- Second, the GEC requested that the calculations for FY 2019–20 be adjusted to reflect that this employee worked solely as a payroll specialist from July 1, 2019, through September 15, 2019. The GEC provided proof that the employee began Medicaid billing responsibilities on September 16, 2019, and, prior to that date, performed only Payroll Specialist duties. Accordingly, all SED ratio value allocations related to this employee's payroll specialist role on the CFR from July 1, 2019 through September 15, 2019, had been properly assigned.

State Comptroller's Comment – We modified the recommended disallowance for the draft report based on additional information that GEC officials provided in response to our preliminary findings.

Additionally, the GEC contends that the remainder of this employee's salary and fringe benefits from September 16, 2019, through June 30, 2020, should be split equally between agency-wide functions and OPWDD programming. This employee's hours each pay period were divided evenly between agency-wide payroll duties and OPWDD Medicaid billing, and the rate of pay was identical for both roles. The payroll specialist portion of her salary and fringe benefits was properly applied to the SED cost-based program using the ratio value method; however, the portion related to her Medicaid billing responsibilities should have been attributed to OPWDD programming on the CFR.

State Comptroller's Comment – GEC officials did not provide sufficient documentation to support their assertion that this employee's salary and fringe benefits from September 16, 2019 through June 30, 2020 should be split equally between agency-wide functions and OPWDD programs.

Calculations by the GEC indicate that for FY 2019–20, approximately 61% of this employee's time was spent on payroll duties and the remainder on Medicaid billing duties. This reflects the work performed exclusively as a payroll specialist from July 1, 2019 through September 15, 2019. Because the Draft Audit Report did not provide a fiscal-year breakdown for the earmarked recoupment of \$25,646, the GEC relies on the figures originally provided in the Preliminary Report dated August 7th. In that report, \$13,210.98 was earmarked for recoupment related to this employee's FY 2019–20 salary allocation.

State Comptroller's Comment – GEC officials did not provide sufficient documentation to support their assertions that approximately 61% of this employee's time in fiscal year 2019–20 was spent on payroll duties and the remainder on Medicaid billing duties.

As this employee's time was divided between two roles—one permissible for ratio value administrative allocation to SED cost-based programs and one that was not—her salary must be allocated according to hours worked in each function. The GEC

calculated the time spent on each role during the fiscal year, accounting for the fact that Medicaid billing duties began after the fiscal year was underway. The analysis showed that 60.65% of her duties in FY 2019–20 was attributable to payroll and 39.35% to Medicaid billing (Exhibit 8).

State Comptroller's Comment – GEC officials did not provide sufficient documentation to support their analysis that 60.65% of this employee's duties in fiscal year 2019–20 was attributable to payroll specialist duties and 39.35% to Medicaid billing.

Therefore, of the \$13,210.98, 60.65% (or \$8,012.4) was properly allocated to the SED cost-based program using the ratio value method. Consequently, the amount subject to reimbursement for salary and fringe benefits related to Medicaid billing duties should be only 39.35% of the \$13,210.98, or \$5,198.52, as this portion should have been assigned to OPWDD programming.

State Comptroller's Comment – GEC officials did not provide sufficient documentation to support their analysis that 60.65% of this employee's duties in fiscal year 2019–20 was attributable to payroll specialist duties and 39.35% to Medicaid billing.

- Third, the GEC requested a recalculation for FY 2020–21 to reflect the dual nature of this employee's job duties, which were split equally for the entire fiscal year. The August 7th preliminary report asserted that a recoupment of \$14,936.11 was appropriate, based on the employee's full annual salary multiplied by the OSC-calculated administration allocation of 19.4% for that year. However, because the employee divided her work duties evenly between Medicaid billing—a role associated exclusively with OPWDD programming—and payroll specialist duties, which are agency-wide and include the preschool cost-based program, half of her salary should have been allocated to administration using the ratio value method. Therefore, the \$14,936.11 earmarked for recoupment should be reduced by half, resulting in a total of \$7,468.05.

State Comptroller's Comment – GEC officials did not provide sufficient documentation to support their assertion that this employee divided fiscal year 2020–21 work duties evenly between Medicaid billing and payroll specialist duties.

For the reasons stated above, the GEC agrees that portions of this employee's salary should not have been allocated to the preschool cost-based program.

However, the GEC strongly asserts that the OSC's final recoupment amount of \$25,464 is incorrect and does not accurately reflect the employee's actual job functions or time distribution. The GEC's corrected calculations are as follows:

- FY 2018-2019: No recoupment is warranted; allocations were correctly made under the ratio value method.

- FY 2019-2020: Of the \$13,210.98 earmarked, \$8,012.46 was correctly allocated to the preschool cost-based program, and \$5,198.52 should have been allocated to OPWDD programming.
- FY 2020-2021: Of the \$14,936.11 earmarked, \$7,468.05 should have been allocated to the preschool cost-based program and the remaining half to OPWDD programming.

State Comptroller's Comment – We modified the recommended disallowance for fiscal year 2018–19 for the draft report based on additional information that GEC officials provided in response to our preliminary findings. However, GEC officials did not provide sufficient documentation to support their analysis for this employee for fiscal years 2019–20 and 2020–21.

GEC agrees that the portion of this employee's compensation attributable to Medicaid billing duties should not have been allocated to the SED cost-based program. However, the evidence demonstrates that the OSC's recoupment amount of \$25,464 overstates the actual overallocation because it does not account for the employee's changing job duties and the proportion of time devoted to each function during the audit period.

State Comptroller's Comment – We stand by our findings. The recommended disallowance is not overstated, as we modified it based on additional information GEC officials provided in response to our preliminary findings. This modification accounted for the change in the employee's job duties. However, GEC officials did not provide sufficient documentation to support their analysis for this employee for fiscal years 2019–20 and 2020–21.

The record shows that no recoupment is warranted for FY 2018-19, as the employee performed only Payroll Specialist duties during that year. For FY 2019-20, only \$5,198.52 is attributable to Medicaid billing activities, while the remaining compensation was properly allocated under the ratio value method. For FY 2020-21, the employee split her time equally between Payroll Specialist and Medicaid Biller duties, reducing the appropriate adjustment to \$7,468.05.

State Comptroller's Comment – We modified the recommended disallowance for fiscal year 2018–19 for the draft report based on additional information that GEC officials provided in response to our preliminary findings. However, GEC officials did not provide sufficient documentation to support their analysis for this employee for fiscal years 2019–20 and 2020–21.

Accordingly, while GEC acknowledges that a limited adjustment may be appropriate, the evidence does not support the recoupment amount identified by OSC. GEC respectfully requests that OSC revise this finding to reflect the employee's documented job responsibilities and the actual allocation of her time during each fiscal year under review.

State Comptroller's Comment – We stand by our findings. GEC officials did not provide sufficient documentation to support their analysis for this employee for fiscal years 2019-20 and 2020-21.

- **Finding:** \$17,791 (\$12,941 in salaries and \$4,850 in fringe benefits) in compensation costs for the Chair of GEC's Incident Review Committee.

- **Response:** GEC agrees with this finding and acknowledges that \$17,791 in compensation costs, consisting of \$12,941 in salaries and \$4,850 in fringe benefits, related to the Chair of GEC's Incident Review Committee were not appropriately allocable to the SED cost-based program.

Upon review of the finding, GEC determined that the costs associated with these duties should not have been reported as preschool expenses. GEC had already taken corrective action to address this issue and had implemented the necessary adjustments to ensure that these costs were properly allocated in subsequent reporting periods.

Accordingly, GEC does not dispute the finding and accepts the associated adjustment. GEC believes that the corrective measures already undertaken adequately address the underlying issue and will prevent similar allocation errors from occurring in the future.

Payroll Protection Plan Loan Forgiveness

- **Finding:** Recommendation that SED disallow \$84,538 – the amount of additional revenue that GEC should have reported on its CFRs for the SED preschool cost-based programs because the offsetting revenue of \$303,455 reported on the GEC's FY 2020-21 CFR-1 was less than the PPP loan forgiveness figures provided to prove that the PPP funds had been applied as offsetting revenues at the preschool.
- **Response:** The GEC utilized monies received from the Paycheck Protection Program in accordance with all available guidance, regulations and rules at the time of issuance, which were properly allocated in the CFR.

According to the United States' Treasury Department, the Paycheck Protection Program (PPP) was designed to provide fast financial relief to small businesses affected by COVID-19. The program provided small businesses with funds to pay up to eight weeks of payroll costs, including employee benefits. Funds could have also been used to pay interest on mortgages, rent, and utilities. The PPP offered federally guaranteed loans that could be fully forgiven if used according to program rules. ([Paycheck Protection Program | U.S. Department of the Treasury](#)).

The Small Business Administration provided guidance on the use of PPP funds and published multiple versions of Frequently Asked Questions to provide additional clarification. ([FAQ for PPP Borrowers and Lenders | U.S. Small Business Administration](#)). Throughout the guidance issues by both the U. S. Treasury Department and the SBA, no requirement was established mandating the use of a ratio-value methodology to distribute the PPP funds. Rather, the guidance emphasized using the funds where they were needed most to maintain employment levels.

Consistent with the SBA's intent, the GEC used the PPP funds it received to maintain staffing levels and ensure the continued delivery of services to individuals served through its OPWDD programs and children enrolled in its preschool program. Like social services providers across the country, the GEC experienced significant operational disruptions as result of the COVID-19 pandemic. To fully understand the agency's response, however, it is important to recognize the distinct operational differences of the majority of the GEC's OPWDD-regulated service programs and its NYSED preschool cost-based program. These fundamental differences in service delivery during the pandemic required PPP funds to be allocated according to

programmatic need rather than by a ratio-value methodology, which appears to be the approach the OSC used in reaching its findings.

At the time the PPP funds were received, the GEC focused on how to best utilize those funds to maintain staffing levels in all of its programs. In order to do so, the operational differences between OPWDD and NYSED programs had to be an integral part of the analysis. The GEC first considered which programs had to be ordered closed by state and local officials. Schools were ordered closed by the Governor in March 2020, and the OPWDD soon followed directing day habilitation programs to cease in-person service delivery. These closures required impacted providers to develop new methods of meeting the needs of the individuals and children they served. The GEC responded by rapidly transitioning its OPWDD day habilitation and preschool programs to on-line remote service delivery so that staff would continue providing essential services during government-mandated closures.

In contrast, the residential side of the GEC's OPWDD services, which operates on a 24-hour, seven-day-a-week basis, had no choice but to continue face-to-face services as COVID-19 cases surged, hospitals became overwhelmed with COVID patients, freezer trucks were used as temporary morgues, and all non-essential workers were ordered to lockdown in their homes. The Direct Support Professionals working in the GEC's OPWDD-certified residences were appropriately classified as essential workers, by the nature of their duties, could not perform their work remotely. Maintaining around-the-clock services in residential settings required a substantially greater expenditure of PPP funds to sustain staffing levels. While the GEC will not recount the many life-saving initiatives implemented across its residential programs to protect both staff and service recipients, it is important to note that maintaining 24/7 staffing at multiple locations relied heavily on the financial support provided through the PPP loan.

In response to the pandemic, New York State agencies overseeing social service providers created new CFR schedules to capture the financial and operational impacts of COVID-19. The NYSED created the COVID-19S schedule for this purpose. Training provided to service providers in December 2020 regarding completion of the CFR and related COVID-19 documentation made clear that the COVID-19S schedule was an "Informational Schedule", which "is not subject to certification but should be reviewed for reasonableness." ([In-depth: Money Follows the Person and the Open Doors Transition Center Presentation](#), Slide #289, Timestamp 1:25:30).

Additional instructions contained in that training specified that the schedule should be completed using the accrual method of accounting. A review of the more-than-two-hour training presentation indicates that ratio-value allocation methodology was mentioned only once, at approximately the 1:55:04 mark, and solely in connection with the completion of DMH-2 and DMH-3 claiming documents. Those documents are unrelated to, and are not required of, NYSED service providers. Therefore, while the COVID-19S schedule may serve as a useful information tool, it should not be used as a benchmark for PPP fund allocations because it is not a certified schedule and may result in scope, compliance, and reconciliation misalignment.

In short, PPP forgiveness application data should not be compared directly to Consolidated Fiscal Report (CFR) data because the two datasets were prepared for fundamentally different purposes, under different rules, and over different reporting periods.

At the launch of the PPP program, borrowers were specifically instructed that they could use any reasonable allocation method to assign loan proceeds to qualifying expenses, provided that at least 60 percent of the loan funds were used for payroll costs. The SBA's forgiveness methodology did not require actual expenditures to be allocated according to a prescribed ratio across expense categories. Instead, the SBA applied its own forgiveness formula to determine eligibility and forgiveness amounts. As a result, the expense allocations reflected in a PPP forgiveness application are not intended to mirror financial reporting classifications used in a CFR.

In addition, the PPP forgiveness application was based on a unique "covered period" established by federal statute and program rules. For GEC, the covered period began on April 15, 2021, the date the PPP funds were first disbursed, and ended on September 29, 2021, after GEC elected a 24-week covered period. The payroll and other expenses reported in the forgiveness application therefore represent only expenditures incurred during this specific 24-week period. In contrast, CFR data is prepared based on an organization's fiscal reporting requirements and captures financial activity for an entire fiscal year using accounting principles and classifications that differ from those governing PPP forgiveness.

Accordingly, any attempt to reconcile or compare PPP forgiveness application data to CFR data on a line-by-line basis would be misleading. The PPP forgiveness application reflects expenses reported solely for purposes of demonstrating compliance with SBA forgiveness requirements during a legislatively defined covered period, whereas the CFR reflects organization-wide financial reporting over a broader fiscal year. The SBA reviewed GEC's forgiveness submission and, on February 24, 2022, issued a Notice of Paycheck Protection Program Forgiveness Payment forgiving the entire loan amount. This determination confirmed that GEC's reporting and use of funds complied with the applicable PPP program requirements.

The impact of COVID-19 and the fiscal ramifications of PPP loans extended far beyond the return to normal business operations. In April 2024, the Rate Setting Unit (RSU) of the NYSED issued a guidance entitled "Extraordinary Federal COVID-19 Revenue Reporting Guidance." The guidance was intended to assist Approved Special Education Providers (ASEPs) because "some ASEPs are facing a one-time rate decline because the federal revenue and the related program expenses are not recognized in the same year on the Consolidated Fiscal Report (CFR)." The guidance further acknowledged that NYSED understood this issue could create significant hardship for providers and indicated that those concerns had been communicated to the Division of Budget and the Legislature.

The RSU therefore recommended that ASEPs "consider reporting the offsetting revenue on the CFR in the same year that the relevant expenses were incurred." The guidance explained that federal revenue could be reported as a "reconciling item" to account for differences between a provider's CFR and its CPA-audited financial statements. Providers that had already filed CFRs reflecting a mismatch between federal revenue and associated expenses

were encouraged to consider amending those filings so that revenue and expenses would be recognized in the same year.

Following the issuance of this guidance, the GEC undertook a review of its previously submitted CFRs in relation to the PPP loan proceeds utilized during the pandemic-affected fiscal years. The GEC worked closely with the SED RSU to accurately report PPP loan proceeds in the appropriate year. Email correspondence with [Redacted], an accountant in the NYSED RSU, concerning the treatment of PPP funds used across multiple fiscal years ultimately resulted in the GEC and its independent CPA auditors recertifying the FY 2020-21 and 2021-22 CFRs. Those recertifications reflected \$303,455 in PPP funds allocated to the preschool program during the year in which the funds were actually used.

The communication between the RSU and the GEC make clear that the RSU was aware of the GEC's receipt and use of PPP funds and was satisfied with the manner in which those funds were reported and allocated to the preschool program. At no time during those communication was the GEC ever advised that a ratio-value methodology was required for PPP expenditures. Rather, the GEC followed the guidance provided by the RSU and reported the PPP allocations to the programs in which the funds were actually utilized based on operational need.

In sum, the GEC's use and reporting of Paycheck Protection Program funds aligned fully with the intent, guidance, and regulatory framework established by the U.S. Treasury, the Small Business Administration, and the New York State Education Department, therefore the earmarked \$84,538 should not be disallowed. Federal PPP rules required that funds be directed to the areas of greatest operational need to preserve employment—not allocated according to any ratio value methodology—and the GEC followed that directive during an unprecedented public health emergency that affected its OPWDD and NYSED programs in profoundly different ways. Subsequent NYSED guidance further confirmed that PPP revenue should be recognized in the fiscal year in which related expenses were incurred, and the GEC worked transparently and collaboratively with the RSU to ensure accurate reporting. At no point did any overseeing authority require or recommend the ratio-value method the OSC appears to rely upon. The GEC's allocations were appropriate, compliant, and consistent with both the letter and spirit of the PPP program, reflecting a good-faith effort to safeguard staffing, maintain essential services, and uphold regulatory expectations during one of the most challenging periods in the agency's history.

State Comptroller's Comment – We modified our report based on additional information provided by GEC officials pertaining to the payroll protection plan loan/forgiveness.

Excess Student-to-Staff Ratio

- **Finding:** \$19,631 in excess staffing for Integrated Special Class special education teachers (position title code 218) for fiscal year ended June 30, 2020.
 - **Response:** The GEC acknowledges the audit finding that, during the preparation of the consolidated fiscal report for 2020, a clerical error due to a misalignment in the payroll code mapping during data aggregation. The GEC appreciates the opportunity to address

this finding and is committed to ensuring accurate and compliant reporting in all future consolidated fiscal reports.

- **Finding:** \$15,446 in excess staffing for Integrated Special Class teach aides and teacher assistants (position title codes 228 and 232) for the fiscal year ended June 30, 2019.
 - **Response:** The GEC acknowledges the OSC's observation regarding the higher FTE staffing reported on the CFR. The variance from the standard allowable FTE was due to the exceptional needs of the children served during the reporting period. Several students required increased individualized and small-group instructional time, as well as additional therapeutic and behavioral supports, to meet their Individualized Education Program (IEP) goals. These supports necessitated additional staffing beyond the typical allocation, provided by float staff, to ensure compliance with mandated service levels and to maintain a safe, supportive learning environment. While this resulted in a higher reported FTE than the Reimbursable Cost Manual generally permits, the staffing levels were essential to address the documented needs of the enrolled children. The GEC remains committed to aligning future staffing levels with the Manual's guidelines while continuing to meet the educational and developmental needs of our students.

Unsupported Compensation Costs

- **Finding:** \$11,464 in salary expenses that were not supported by the general ledger for the fiscal year ended June 30, 2021 plus \$6,041 in fringe benefits associated with the unsupported salary expenses.
 - **Response:** The GEC acknowledges the audit team's determination that certain compensation costs were not compliant with the requirements outlined in the RCM and CFR Manual. The GEC is committed to maintaining full compliance with all applicable documentation and reporting standards. To address this finding, we have initiated strengthened internal controls over payroll documentation, including enhanced reconciliation procedures between the general ledger and CFR submissions, and the implementation of systematic reviews to ensure that all salary and fringe benefit expenses are fully supported prior to reporting. Additionally, we have begun creating scanned backups of all payroll-related documentation to ensure secure storage and timely retrieval during future audits.

These corrective actions are intended to prevent recurrence of unsupported costs and to ensure that all expenses submitted for reimbursement are reasonable, necessary, directly related to the special education program, and fully documented in accordance with RCM and CFR requirements.

Unsupported/Insufficiently Documented OTPS Expenses

- **Finding:** \$120,404 in unsupported or insufficiently documented OTPS expenses for the three fiscal years ended June 20, 2021.
 - **Response:** The GEC undertook substantial efforts to obtain canceled checks, invoices, and proof of payment for the expenses identified by OSC auditors, resulting in a total finding of

\$120,404 across the three fiscal years under review, representing 0.7% of the reimbursable costs reported by the GEC. The GEC exercised its best efforts to provide all relevant supporting documentation; however, in certain instances, the materials submitted were deemed insufficient by the audit team, or the required records could not be located within our storage facilities. The GEC remains committed to ensuring accurate and compliant reporting in all future consolidated fiscal submissions and has begun creating scanned backups of all expense-related documentation to enhance security and facilitate timely retrieval when needed.

Ineligible/Non-Program-Related OTPS Expenses

- **Finding:** \$32,577 in ineligible/non-program-related OTPS expenses.
 - **Response:** The GEC acknowledges the audit team’s identification of \$32,577 in OTPS expenses that did not comply with the reimbursement requirements outlined in the RCM and CFR Manual. We recognize that certain costs charged to the SED preschool cost-based programs—including food for staff events, investment account fees, gifts, entertainment expenses, late fees, fraudulent credit card charges without corresponding credits, and non-program-related advertising—were not allowable under SED guidelines and were therefore deemed ineligible or non-program-related. The GEC, however, takes exception to the characterization assigned by the OSC to a portion of these expenses. Specifically, the \$1,616 in travel and lodging costs attributed to “GEC officials” were, in fact, funds used to support service recipients in the GEC’s OPWDD residential programming. While these costs were allocated to the wrong program in error, they were incurred to allow individuals residing in a GEC group home to participate in a supervised vacation to Disney World, and were not related to staff entertainment or personal travel by GEC officials.

State Comptroller’s Comment – We modified our report to reflect that the Disney World costs were for employees who worked for GEC’s OPWDD programs.

The GEC is committed to ensuring full compliance with all reimbursement, documentation, and cost-allocation requirements. In response to this finding, we have strengthened internal controls governing OTPS expenditures, including enhanced review and approval procedures to ensure that all costs are reasonable, necessary, directly related to the special education program, and supported by appropriate documentation. We have also reinforced staff training on RCM and CFR requirements, with particular emphasis on identifying non-reimbursable categories such as food for staff, entertainment, gifts, investment-related expenses, and any costs not directly attributable to program operations.

Additionally, the GEC has implemented improved cost-center charging practices to ensure that all expenses are allocated to the correct program and that non-program-related costs are excluded from SED reimbursement submissions. We have also instituted periodic internal audits of OTPS transactions to verify compliance and prevent recurrence of similar issues.

These corrective actions are intended to ensure that future submissions fully adhere to SED reimbursement standards and that all reported costs are properly documented, program-related, and compliant with the RCM and CFR Manual.

Conclusion

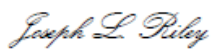
The GEC appreciates the time and effort invested by the Office of the State Comptroller in conducting this audit and welcomes the opportunity to provide context regarding the findings. As detailed throughout this response, the fiscal years under review coincided with one of the most extraordinary periods in modern history. The COVID-19 pandemic fundamentally altered every aspect of educational delivery, particularly for providers serving young children with disabilities, requiring rapid operational changes, evolving service models, and continual adaptation to shifting federal, state, and local guidance.

Throughout these challenges, the GEC remained steadfast in its mission to provide high-quality educational and related services to preschool students, ensuring continuity of instruction and mandated supports during an unprecedented public health emergency. The organization acted in good faith, under extraordinary circumstances, and with the singular objective of meeting the needs of its students and families while complying with rapidly changing regulatory requirements.

While the GEC recognizes the importance of strong fiscal and administrative controls and remains committed to continuous improvement in its policies, procedures, and oversight practices, it respectfully submits that any evaluation of the audit findings must be viewed through the lens of the operational realities that existed during the period examined. The unique conditions created by the pandemic affected every aspect of educational programming, staffing, service delivery, recordkeeping, and administration, often requiring immediate action in response to emerging circumstances.

For nearly seven decades, the GEC has remained dedicated to serving children with developmental disabilities and their families with compassion, professionalism, and integrity. The organization is proud of the work performed by its educators, therapists, administrators, and support staff during a period of unparalleled disruption and remains committed to fulfilling its responsibilities as a provider of high-quality preschool special education services. The GEC looks forward to continuing its collaborative relationship with oversight agencies and to building upon the lessons learned during this unprecedented chapter in order to further strengthen services for the children and families it serves.

Respectfully,

A handwritten signature in blue ink that reads "Joseph L. Riley". The signature is written in a cursive, flowing style.

Joseph L. Riley
CEO/Executive Director



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